

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
Division of Boating and Ocean Recreation  
Honolulu, Hawaii 96813

May 27, 2011

Board of Land and Natural Resources  
State of Hawaii  
Honolulu, Hawaii

Oahu

Status Report on Proposed Waikiki Landing Project at Ala Wai Small Boat Harbor (AWSBH); Approval of Revised Plans; Grant of Term Easement of Adjacent Fast Land at AWSBH; Lease of Submerged Lands at AWSBH; Amend Development Agreement with Honey Bee USA, Inc. dated December 17, 2009; Kalia, Honolulu, Oahu, Hawaii. Tax Map Key Nos: (1) 2-6-010:003 (por), 005 & 016; 2-3-37:020

Amendment of Harbor Lease No. H-87-25 at AWSBH to Hawaii Prince Hotel Waikiki, LLC as affecting Proposed Waikiki Landing Project; Kalia, Honolulu, Oahu, Hawaii. Tax Map Key No. (1) 2-6-010:003 (por); 2-3-037:012.

**APPLICANT:**

Honey Bee USA, Inc. ("**Honey Bee**")

**REQUEST:**

Honey Bee is providing a status report on its Proposed Waikiki Landing Project at the Ala Wai Small Boat Harbor ("**AWSBH**"). In addition, Honey Bee is requesting the Board's approval of the following:

- Revised plans for the Waikiki Landing Project
- Grant of a Term Easement for approximately 5,074 sq ft of adjacent fast lands at the AWSBH
- Amendments to Harbor Lease No. H-87-25 with Hawaii Prince Hotel Waikiki, LLC
- Lease of Adjacent Submerged Lands at the AWSBH
- Amendments to the Development Agreement with Honey Bee dated December 17, 2009

**BACKGROUND:**

On December 17, 2009, DLNR's Division of Boating and Ocean Recreation ("**DOBOR**") and Honey Bee entered into a development agreement (the "**Development Agreement**") that allows Honey Bee to pursue its proposed redevelopment plan for the boatyard repair and fuel dock sites at the AWSBH. The working name of Honey Bee's proposed redevelopment project is "**Waikiki Landing.**"

The Development Agreement is the result of DOBOR's selection of Honey Bee pursuant to a Request for Qualifications / Request for Proposals ("**RFQ/RFP**") issued by DOBOR on November 25, 2008. The Development Agreement sets forth various preconditions to the issuance of a 55-year master lease to Honey Bee (the "**Master Lease**") for the Waikiki Landing project. These preconditions ensure that the Master Lease will not be issued to Honey Bee unless, and until, Honey Bee obtains all of the required land use entitlements, permits and approvals for the project, including but not limited to a zoning or use variance, special

management area permit, Waikiki Special Design District permit, and subdivision or joint development approval.

The fast lands that would be leased to Honey Bee under the Development Agreement are described below:

- **Boatyard Repair Site:** The Boatyard Repair Site consists of approximately 38,369 square feet, as shown on **Exhibits "A" and "A-1"**, and is identified by Tax Map Key (TMK) Nos. (1) 2-6-010:005, 016 and portion of 003. A boatyard/repair facility was previously operated on the site by Ala Wai Marine, Ltd. under License 74 and Revocable Permit No. B-93-39. The license and RP were both terminated in 2008, and the site has been vacant since approximately March 2009.
- **Fuel Dock Site:** The Fuel Dock Site consists of approximately 15,199 square feet, as shown on **Exhibit "A"**, and is identified by TMK No. 2-3-037:020. Magic Island Petroleum, Inc. currently operates a fuel facility and convenience store on this site under Revocable Permit No. B-03-06.

The Development Agreement also requires Honey Bee to pay DOBOR development fees during the term of the agreement, while Honey Bee performs due diligence activities, processes the required environmental assessment, and seeks the various government entitlements and approvals necessary to implement its redevelopment plan.<sup>1</sup>

#### **LEGAL REFERENCES:**

Sections 171-6, 13, 16, 17, 18, 19, 35, 36, 41, 52, 53, 200-2.5, and other applicable sections of Chapters 171 and 200, Hawaii Revised Statutes, as amended.

#### **CHAPTER 343 – ENVIRONMENTAL ASSESSMENT:**

On April 23, 2010, a Draft Environmental Assessment for the Waikiki Landing project was published in the State of Hawaii Office of Environmental Quality Control *The Environmental Notice*. On October 8, 2010, a Final Environmental Assessment and Finding of No Significant Impact ("FONSI") was published.

#### **STATUS REPORT AND REVISED PLANS FOR PROPOSED WAIKIKI LANDING PROJECT.**

**Status Report.** Honey Bee's proposed development plan was presented at the Board meeting held on August 28, 2009 (as Agenda Item J-1). At that meeting, the Board approved the selection of Honey Bee, and DOBOR and Honey Bee subsequently negotiated and entered into the Development Agreement. Honey Bee has subsequently, among other things, performed various due diligence investigations, soils tests, met with the City Department of Planning and Permitting ("DPP") to address various land use and permitting requirements, prepared various permit applications, and met with stakeholders, community organizations, and potential tenants for the project.

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<sup>1</sup> Honey Bee has paid an annual \$150,000 development fee for the first year of the agreement (12/17/09 to 12/31/10) and has since been paying the required monthly fee of \$15,000.

As part of its due diligence, Honey Bee conducted geological soils testing in August, 2010, which confirmed that the structures planned by Honey Bee can be built on the properties. Honey Bee (through its environmental consultant, Tetra Tech) also tested soil samples from the Boatyard Repair Site, which indicated there were no contaminants on the Boatyard Repair Site, but which also discovered the remains of a small underground tank. Subsequent testing by Tetra Tech found there was no underground tank but found some evidence of contaminants in a small area. Honey Bee will do further investigation and if necessary, will hire a consultant to look at remediation measures.

In addition to these due diligence activities, Honey Bee has prepared and processed an HRS Chapter 343 Environmental Assessment ("EA") and obtaining a Finding of No Significant Impact. Honey Bee has also prepared and submitted applications to DPP for (i) a zoning variance<sup>2</sup>; (ii) a Special Management Area permit ("SMP"); and (iii) a Waikiki Special District ("WSD") permit. The applications were submitted on December 2, 2010. DPP has accepted the zoning variance application and a public hearing on the application is pending. DPP has indicated it will process the zoning variance application first, followed by the SMP and WSD applications. The zoning variance and WSD permit require DPP approval, while the SMA application requires City Council approval.

**Revised Plans.** Honey Bee has revised its plans for the project to address the issues raised as a result of its due diligence studies, public and agency review comments to the EA, and consultations with stakeholders, community groups, government agencies, and potential tenants. Honey Bee is now requesting the Board's approval of the revised plans. Honey Bee also requests the Board find that the revised plans are consistent with the State's long-range plans for the AWSBH and that the revised plans and proposed uses are appropriate for a public boat harbor in Hawaii.

The revised development plans includes several changes to both the Boatyard Repair Site and the Fuel Dock Site, which are described below:

**Revised Boatyard Repair Site.** The revisions to the plans for the Boatyard Repair Site include increasing the size of the boat repair yard and number of parking spaces, reducing the size of the wedding chapel, adding a fourth floor to the Boatyard Building, and adding a third building (the Wharf Building). (see Exhibits "B-1" to "B-4" and table below)

ITEM	RFP PROPOSAL	DRAFT EA PLAN	CURRENT PLAN
Boatyard Bldg	16,300 sf, 3 floors	23,260 sf, 3 floors	27,836 sf, 4 floors
Boat Repair Yard	6,000 sf, 4-5 boats	10,500 sf, 6 boats	17,533 sf, 11 boats
Wedding Chapel	20,000 sf	4,094 sf	4,372 sf
Wharf Bldg	0	0	6,224 sf
Commercial Space	36,300 sf	27,724 sf	38,432 sf
Parking Stalls	30	36	52

<sup>2</sup> DPP requires a zoning or use variance for the proposed retail and restaurant establishments and the wedding facilities.

The revised plan features a boat repair yard of approximately 17,533 sq. ft., which will sit on a concrete deck 16 ft. above the ground, located between the three buildings on this site. The Boatyard Building will house commercial shops and restaurants and will be directly accessible from Ala Moana Boulevard via an entryway on the second floor. The current design of the building incorporates a Hawaiian maritime design and features a three-story atrium. The Wharf Building is a two-story building alongside a wide dock that borders the Ala Wai Channel. Honey Bee's plans call for the building to house restaurants on the first and second floor, with the design of the building to be similar to the Boatyard Building.

Revised Fuel Dock Site. The revisions to the plans for the Fuel Dock Site include reducing the originally proposed three-story building to two stories, replacing the nightclub and restaurant originally proposed with a wedding facility, and providing space on the first floor for the U.S. National Kayak Team Training Center.<sup>3</sup> Honey Bee also plans to completely renovate the dock area by repairing the concrete apron surrounding the property and installing finger docks on three sides of the Fuel Dock property. See **Exhibit "C-1" to "C-2"**

A representative from Honey Bee will be present at the Board meeting to provide an oral status report, present larger scale drawings of the revised site plan and an artist's conceptual drawing, and answer questions.

#### **GRANT OF EASEMENT AND AMENDMENT OF HARBOR LEASE H-87-25.**

##### Request for Easement.

Honey Bee is requesting a non-exclusive term easement for an approximately 5,074 square foot strip of fast land located adjacent to the Boatyard Repair Site, which it intends to incorporate into its redevelopment plans for the Boatyard Repair Site. Honey Bee does not plan to build any structures on the easement area but will landscape the area, provide some parking stalls, and build a "harbor walk" that will continue from the wharf on the Ewa side of the Boatyard Repair Site through the makai side of the easement area.

##### Easement Area:

The requested easement area (the "**Easement Area**") is described below:

Location:	Portion of Gov't lands situated at Kalia, Honolulu, Oahu, Hawaii, identified by Tax Map Key: (1) 2-6-010:003 (por)
Area:	5,074 sq. ft., more or less, as shown on <b>Exhibits "A-1" and "D"</b> , subject to confirmation by the Department of Accounting and General Services, Survey Division or by any survey required under the Development Agreement.
State Land Use District:	Urban
C&C Honolulu Zoning:	Waikiki Special District - Public Precinct
Trust Land Status:	Section 5 (a) lands of the Hawaii Admission Act DHHL 30% entitlement lands: No

<sup>3</sup> Honey Bee and the National Kayak Team have already entered a letter of intent for the training center area.

*Current Use of the Easement Area and related Harbor Lease:*

The Easement Area currently includes a public restroom and five parking stalls (shown in **Exhibit "D"**). The Easement Area is a portion of the 21,637 square foot area currently leased to Hawaii Prince Hotel Waikiki, LLC ("**Hawaii Prince**") under Harbor Lease No. H-87-25 dated January 30, 1987 (the "**Harbor Lease**").<sup>4</sup> Hawaii Prince is owner of the adjacent Hawaii Prince Hotel.

The construction of the Hawaii Prince Hotel in the late 1980's resulted in the demolition of a public restroom. Therefore, as a condition of the Special Management Area Permit issued to allow construction of the Hawaii Prince Hotel (the "**SMP**"), the developer of the hotel was required to construct and maintain a replacement public restroom, which is the restroom that is currently located in the Easement Area.<sup>5</sup>

Hawaii Prince's obligation to construct and maintain the replacement public restroom is also included in the Harbor Lease, which was subsequently modified by a Settlement Agreement and an Indemnification Agreement, both agreements being between Seibu, the Hawaii Prince Hotel, and DOT, and both dated May 7, 1992 (the "**Settlement Agreement**" and "**Indemnification Agreement**", respectively).

In sum, under the SMP and above agreements, Hawaii Prince is required, during the term of the Harbor Lease, to maintain the public restroom in a sanitary condition (including making repairs and providing electricity, water and paper goods), keep the restroom open to the public daily from 6:00 a.m. to 10:30 p.m., make restroom facilities in the Hawaii Prince Hotel available to public from 10:30 p.m. to 6:00 a.m., and provide signage informing the public of the availability of such restroom facilities. Hawaii Prince is also required to indemnify the State against claims arising from the restroom or Hawaii Prince's failure to perform its obligations under the agreements and maintain liability insurance covering the public restroom.

In connection with its redevelopment of the Boatyard Repair Site, Honey Bee intends to remove the restroom at the Easement Area and replace it with two new public restrooms within the Waikiki Landing project. One will be near the Ewa end of the Boatyard Repair Site (see **Exhibit "B-4"**), and the second one will be on the ground floor of the project and located closer to Ala Moana Blvd (see, **Exhibit "B-3"**). Honey Bee will keep both restrooms open to the public daily from 6:00 a.m. to 10:30 p.m. and provide signage informing the

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<sup>4</sup> The Harbor Lease was issued by direct negotiation pursuant to HRS Chapter 171. The original parties to the lease were the State Department of Transportation (DOT) and Seibu Railway Company, Ltd. DOT's interest was transferred to DOBOR when management of the State's small boat harbors was transferred from DOT to DLNR pursuant to Act 272 (1991). Seibu Railway Company, Ltd. assigned its interest in the lease to Seibu, Inc. on June 20, 1988, which assigned its interest to Hawaii Prince Hotel Waikiki Corp on October 17, 2001. Hawaii Prince Hotel Waikiki Corp was converted to Hawaii Prince Hotel Waikiki, LLC on December 31, 2007.

<sup>5</sup> The SMP was approved on September 25, 1985 by Honolulu City Council Resolution No. 85-324.

SMP Condition B states: "If displaced, public restrooms with showers shall be replaced at ground level on the ewa side of the project, directly accessible from the street, and shall bear signage welcoming public use. Provision shall be made by legal document for perpetual maintenance of the public restroom facility."

SMP Condition F states: "The Department of Land Utilization and the State Department of Transportation shall review and approve all plans for the public restroom facility, the public parking, the roadway design, and other improvements on harbor lands in the Public Precinct, to assure that they will not interfere with harbor operations."

public of the availability of the restroom. According to Honey Bee, Hawaii Prince is agreeable to amending the Harbor Lease, Settlement Agreement, and Indemnification Agreement to reflect the above, and has agreed to continue to make restroom facilities in the Hawaii Prince Hotel available to the public daily from the hours of 10:30 p.m. to 6:00 a.m. as currently required in the Settlement Agreement and Indemnification Agreement. The grant of easement will be subject to the written consent of Hawaii Prince to the above.

With respect to the five parking stalls within the Easement Area, those stalls are available for use by the public, but were primarily used by the former tenant of the Boatyard Repair Site and its customers. Although the parking stalls have not been used for the past two years when the prior tenant vacated the site and DOBOR secured the site, Honey Bee has agreed to provide four replacement parking stalls within its project.

Grant of Easement.

The proposed terms of the grant of easement are as follows

Easement Term:	Fifty-five (55) years, to run concurrently and conditioned upon issuance of the Master Lease for the Waikiki Landing project
Use/Purpose:	To be incorporated as part of the redevelopment of the adjacent Boatyard Repair Site with uses allowed under applicable zoning laws and ordinances.
Rent:	To be negotiated in connection with negotiation of the lease rent for the Master Lease, but not less than \$10.53 per sq. ft., which is the same rental rate proposed by Honey Bee for the adjacent fast lands at the Boatyard Repair Site. <sup>6</sup> Total annual rent for 5,074 sq. ft. at this rental rate would be \$53,429.22 per year.
Commencement and Payment Terms:	To coincide with the commencement date and lease rent payment terms for the Master Lease.
Additional Conditions:	Prior to the grant of the easement, Honey Bee shall:  a) Fulfill all terms and conditions in the Development Agreement required for issuance of the Master Lease that are applicable to Honey Bee's proposed use of the Easement Area, including but not limited to the conditions set forth in Sections 9 and 11 of the Development Agreement.  b) Obtain any and all consents and approvals required under the SMP for the Hawaii Prince Hotel (described below) to

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<sup>6</sup> Condition 11 of the Development Agreement provides that the terms of the Master Lease shall be negotiated; but that the lease rents shall not be less than the rents in Honey Bee's proposal submitted in response to the RFQ/RFP. The actual area is subject to change based on the result of a survey, but the rental rate per square foot will not be less than that contained in Honey Bee's proposal.

relocate the public restroom or written assurances from Hawaii Prince and the City and County of Honolulu that Honey Bee's proposed relocation of the public restroom does not violate the SMP.

c) Obtain the written consent of Hawaii Prince to amend Harbor Lease No. 87-25 as provided below.

d) Obtain subdivision approval from the DPP for the Easement Area to the extent required under applicable statutes, ordinances and rules.

Amendment of Harbor Lease No. H-87-25.

If Honey Bee successfully performs all its obligations under the Development Agreement and above necessary to obtain the Master Lease and an easement over the Easement Area, staff recommends the following amendments to the Harbor Lease:

- Delete the Easement Area from the "Area Leased" and "Demised Premises", as said terms are defined or used in the Harbor Lease, and reflect the remaining area encumbered by the lease in a revised map and legal description prepared by the Department of Accounting and General Services, Survey Division;
- Revise Harbor Lease Covenant 11 to remove the requirement that Hawaii Prince maintain the public restroom<sup>7</sup>; and
- Revise Harbor Lease Covenant 11 to add the requirement that Hawaii Prince make restroom facilities in the Hawaii Prince Hotel available to the public daily from the hours of 10:30 p.m. to 6:30 a.m.

The Harbor Lease shall only be amended in connection with the issuance of the Master Lease and grant of easement over the Easement Area to Honey Bee and shall be reflected in a written agreement signed by Hawaii Prince and DLNR. If the Master Lease and easement are not granted to Honey Bee, the terms and conditions of the existing Harbor Lease, Settlement Agreement, and Indemnification Agreement shall remain in full force and effect.

**LEASE OF SUBMERGED LANDS.**

The Development Agreement makes available for lease to Honey Bee certain submerged lands adjacent to the Boatyard Repair Site and Fuel Dock Site. The submerged lands available for lease are identified in Exhibit "4" of the Development Agreement and included as part of the defined term "Subject Properties" in the Development Agreement.

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<sup>7</sup> Harbor Lease Covenant 11 currently states: "Replacement Restroom and Shower Facilities. LESSEE shall construct replacement restroom facilities and grant the general public unrestricted access thereto. In addition, the LESSEE shall construct separate shower facilities for men and women. The restrooms and showers shall be constructed within the immediate proximity of the Ala Wai Boat Harbor. The shower facilities shall be locked and keys provided to the Ala Wai Boat Harbor Office by the LESSEE. The restroom and shower facilities shall be maintained by the LESSEE at no cost to the LESSOR for the duration of the Lease and signage shall be installed indicating that use of the restroom is open to the public. Final plans for the facilities and the signage shall be approved by the LESSOR, which approval shall not be unreasonably withheld."

The Development Agreement makes any lease of submerged lands subject to Honey Bee first obtaining all required land use entitlements and approvals, including the approval of the Board. Honey Bee is now requesting the Board's approval to lease a total of approximately 22,710 square feet of submerged lands for uses ancillary to Honey Bee's proposed uses of the adjacent fast lands. The submerged lands Honey Bee is seeking to lease are described below:

- **Submerged Lands (Boatyard Repair Site):** Honey Bee is requesting a 55-year lease for approximately 10,980 square feet of submerged lands located adjacent to the Boatyard Repair Site to moor vessels and for the boat lift that will be used to lift boats from the waterway onto the boat repair yard.<sup>8</sup> The submerged lands are shown as the cross-hatched area on **Exhibit "E"** and shall hereinafter be referred to as the **"Submerged Lands (Boatyard Repair Site)"**.
- **Submerged Lands (Fuel Dock Site):** Honey Bee is requesting a 55-year lease for approximately 11,730 square feet of submerged lands adjacent to the Fuel Dock Site to moor vessels. The submerged lands are shown as the cross-hatched area on **Exhibit "F"** and shall hereinafter be referred to as the **"Submerged Lands (Fuel Dock Site)"**.

House Bill No. 1566, which passed the 2011 Hawaii State Legislature, authorizes DLNR to lease submerged lands at the AWSBH, including the submerged lands requested by Honey Bee. This will become effective upon approval of the Governor. If the bill is not signed by the Governor, Honey Bee will seek the Governor's approval and authorization from the Legislature required under HRS Section 171-53(c) for the submerged lands during the 2012 Legislative session.

The development proposal submitted by Honey Bee for the RFQ/RFP proposed minimum and percentage lease rents for the submerged lands for the first 30 years of the Master Lease that were equal to or exceeded the minimum rents required in the RFQ/RFP. Based on the rental rate per square footage in Honey Bee's proposal, rent for 22,710 sq. ft. of submerged lands would be no lower than the following:<sup>6</sup>

Annual Minimum Rent: \$136,260.00/yr (Years 1-10, based on \$6.00/sq ft)  
\$177,138.00/yr (Years 11-15, based on \$7.80/sq ft)  
\$203,708.70/yr (Years 16-20, based on \$8.97/sq ft)  
\$234,367.20/yr (Years 21-25, based on \$10.32/sq ft)  
\$269,567.70/yr (Years 26-30, based on \$11.87/sq ft)

Percentage Rent: Ten percent (10%) of gross mooring fees/revenues to the extent such percentage rent exceeds the annual minimum rent

Staff recommends approval of a 55-year lease for the submerged lands described above and that any maps and descriptions of the submerged lands in the Development Agreement be amended to identify the submerged lands described above and approved for lease by the Board. Under the Development Agreement, the leasing of the submerged lands is already subject to the preconditions to issuance of the Master Lease, including the lease rents being

<sup>8</sup> The boat lift will be located on fast lands but will extend over a portion of the submerged lands.



determined by negotiation and the areas to be leased being identified by a mutually agreed upon survey.

#### **AMEND DEVELOPMENT AGREEMENT TO REQUIRE PUBLIC RESTROOM.**

Staff recommends the Development Agreement be amended to require Honey Bee construct and maintain two new public restrooms within the Waikiki Landing Project to replace the restroom currently within the Easement Area. The terms and conditions regarding the construction and maintenance of the replacement restrooms shall be subject to negotiation between DLNR and Honey Bee, but shall at a minimum, require the location, size, design, and construction timeline be acceptable to the Chairperson, require signage informing the public of the availability of the restrooms, specify the maintenance requirements (which shall be no less than what is currently required of Hawaii Prince for the existing restroom), and address maintenance of the current restroom during the period after the Master Lease and term easement are executed, but prior to completion of the replacement restrooms.

#### **AMEND DEVELOPMENT AGREEMENT TO EXTEND DEADLINES AND EXPIRATION DATE.**

Honey Bee is requesting (1) extensions to certain deadlines set forth in the Development Agreement, and (2) an extension to the term of the Development Agreement, which expires on May 31, 2011.

Section 9 of the Development Agreement sets forth specific deadlines for Honey Bee to obtain various land use entitlements and approvals. These include approvals of a zoning or use variance, lease of submerged lands, special management area permit, Waikiki Special District permit, Army Corps of Engineering permit, and Clean Water Act compliance.

Since the commencement of the Development Agreement, Honey Bee has performed various due diligence activities and submitted applications for several of the required land use entitlements and approvals, including the HRS Chapter 343 EA, zoning/use variance, and special management area permit. However, Honey Bee encountered various issues during these processes, including addressing review comments and concerns from certain government agencies and community groups/members. Accordingly, Honey Bee has spent additional time, effort, and expense addressing these concerns, many of which have resulted in Honey Bee modifying its development plans for the project.

Despite diligent efforts to obtain these approvals, Honey Bee will not be able to meet all the deadlines set forth in Section 9 of the agreement, and is therefore requesting extensions to the deadlines. Two of the deadlines have already passed<sup>9</sup>, while May 31, 2011 is the deadline for Honey Bee to obtain several other entitlements/approvals and is also the current expiration date for termination of the Development Agreement. Under the Development Agreement, any modification of the agreement is required to be in writing and signed by all of the parties.

Staff recommends the deadlines set forth in Section 9 of the Development Agreement for Honey Bee to obtain required land use entitlements and approvals be extended to May 31, 2012, and that the term of the Development Agreement be extended to December 31, 2012.

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<sup>9</sup> e.g., The deadlines to obtain Legislative approval to lease submerged lands (06/31/10) and a zoning/use variance from the City (9/30/10).

As previously mentioned, Honey Bee has already processed an EA, obtained a FONSI, and submitted several applications. Certain applications are currently being processed by the applicable agency(ies), and although Honey Bee expects to receive all of the required approvals by the requested extended deadlines, there are often unanticipated issues and delays during the land use entitlement process, some of which are not within the control of the applicant. For example, the SMA process requires the scheduling of several public hearings, which are not within Honey Bee's control. Accordingly, staff recommends the Board authorize the Chairperson to extend any of the above deadlines and/or the term of the Development Agreement for up to an additional twelve (12) months if the Chairperson, in his/her sole discretion, deems the extension(s) to be in the best interest of DLNR and the State.

**RECOMMENDATION:**

That the Board:

1. Approve Honey Bee's revised development plans.
2. Find that the revised plans are consistent with the State's long-range plans for the AWSBH, and that the revised plans and proposed uses are appropriate for a public boat harbor in Hawaii.
3. Approve a 55-year non-exclusive term easement over the Easement Area to Honey Bee USA, Inc. by direct negotiation, subject to the terms and conditions set forth above and such other terms and conditions as the Chairperson deems necessary, desirable, or in the best interests of the State;
4. Approve amendments to Harbor Lease No. H-87-25, as set forth above, and to the Settlement Agreement and Indemnification Agreement as may be necessary or desirable to effectuate the intent of the amendments to the Harbor Lease;
5. Approve a 55-year concurrent lease of the Submerged Lands (Boatyard Repair Site) and Submerged Lands (Fuel Dock Site) by direct negotiation, subject to the terms and conditions set forth above.
6. Approve amendments to the Development Agreement to:
  - a. Include a grant of a term easement to Honey Bee for the Easement Area, subject to the terms and conditions set forth above;
  - b. Amend the defined term "Subject Properties" to reflect the Submerged Lands (Boatyard Repair Site) and Submerged Lands (Fuel Dock Site), subject to confirmation of the dimensions and areas of said submerged lands by the Department of Accounting and General Services, Survey Division or by any survey required under the Development Agreement;
  - c. Require Honey Bee construct and maintain two new restroom within the Boatyard Repair Site that will be open to the public, subject to the terms and conditions set forth above;
  - d. Extend the deadlines in Condition 9 for Honey Bee to obtain the necessary land use entitlements/approvals to May 31, 2012;
  - e. Extend the term of the Development Agreement to December 31, 2012;

- f. Authorize the Chairperson to grant further extensions to the deadlines in Condition 9 and to the term of the Development Agreement in addition to the extensions granted pursuant to this action, if the Chairperson, in his/her sole discretion, deems such further extensions to be in the best interests of the State; provided, however, that any such further extensions shall not exceed twelve (12) months; and
  - g. Amend or modify any of the above and/or any provision of the Development Agreement as may be necessary or desirable to effectuate the intent of any of the above.
7. All the above shall be subject to review and approval by the Department of the Attorney General.

Respectfully Submitted,



Edward R. Underwood  
Administrator

Attachments: Exhibits A, A-1  
Exhibits B-1, B-2, B-3, B-4  
Exhibits C-1, C-2  
Exhibit D  
Exhibit E  
Exhibit F

APPROVED FOR SUBMITTAL:



William J. Aila, Jr.  
Chairperson

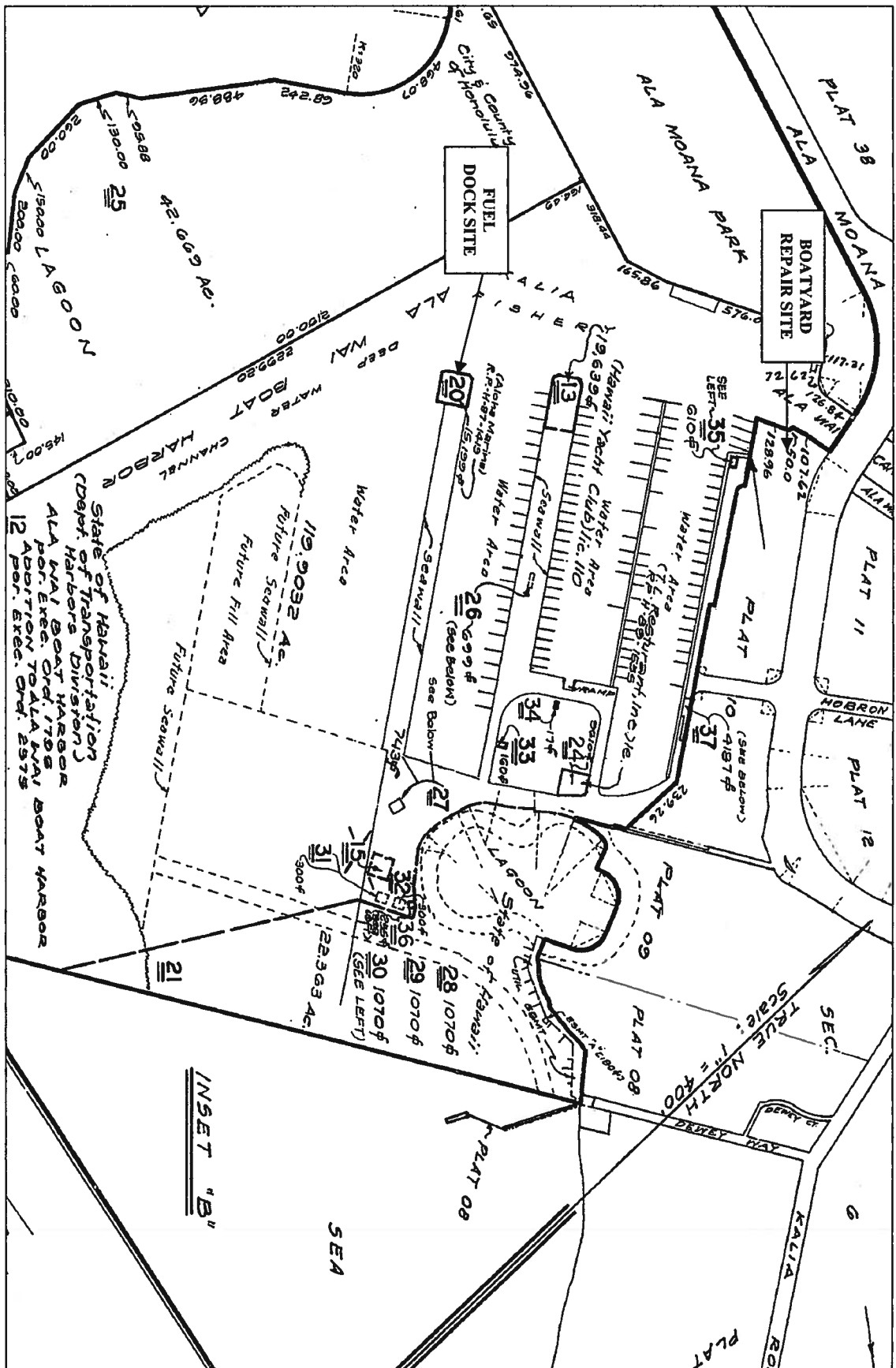


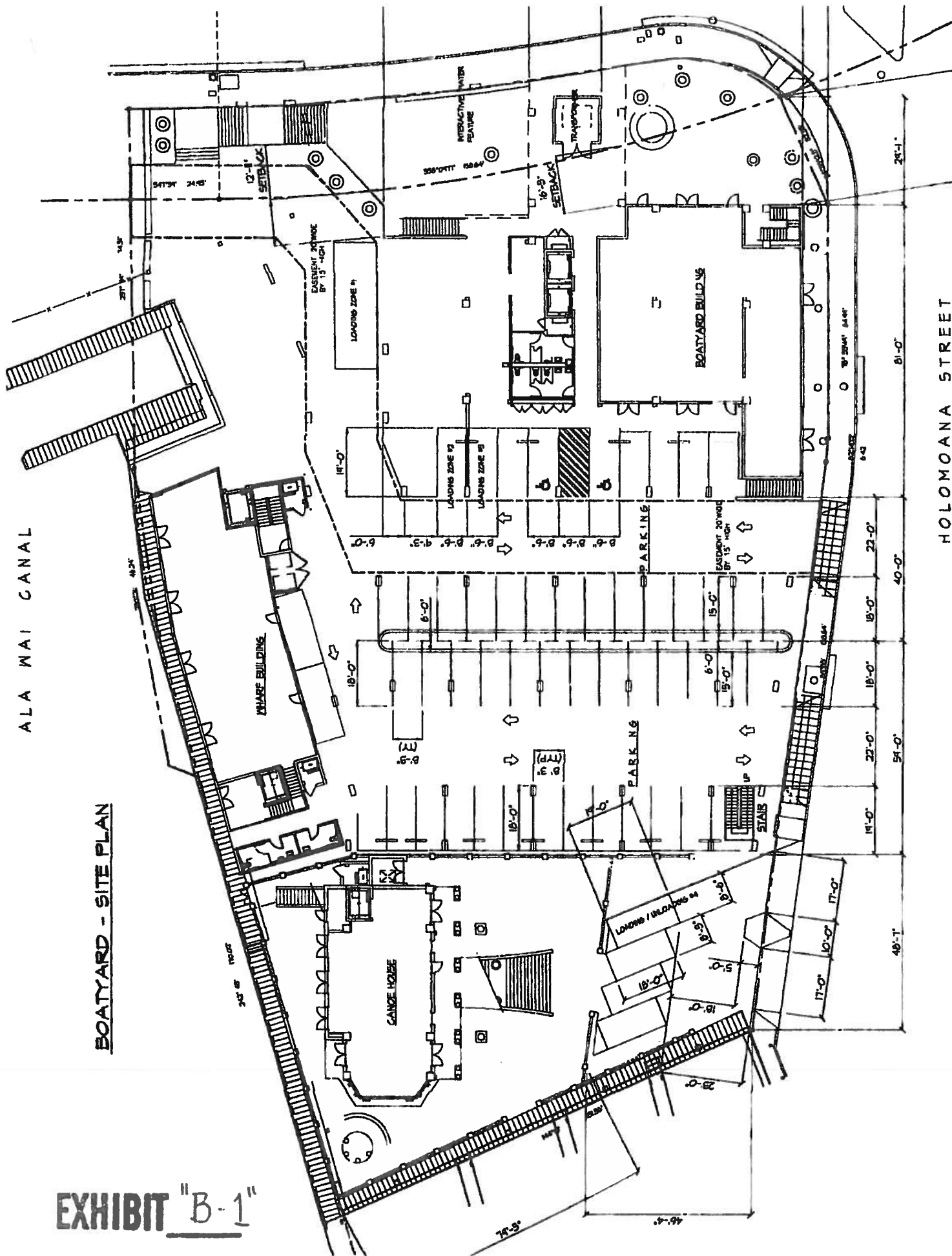
EXHIBIT "A"

LOCATION OF BOATYARD REPAIR SITE AND FUEL DOCK SITE



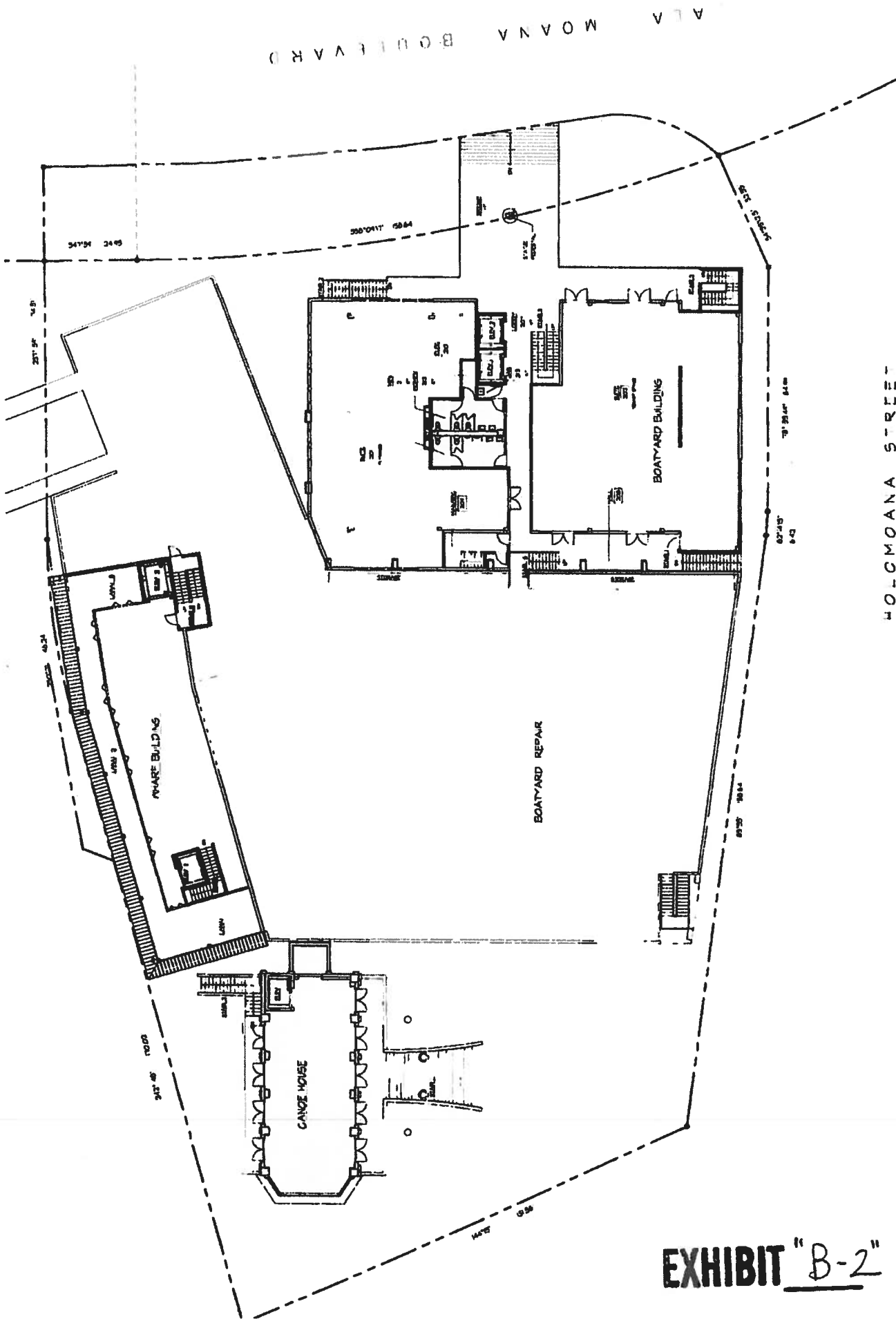
EXHIBIT "B-1"

BOATYARD - SITE PLAN

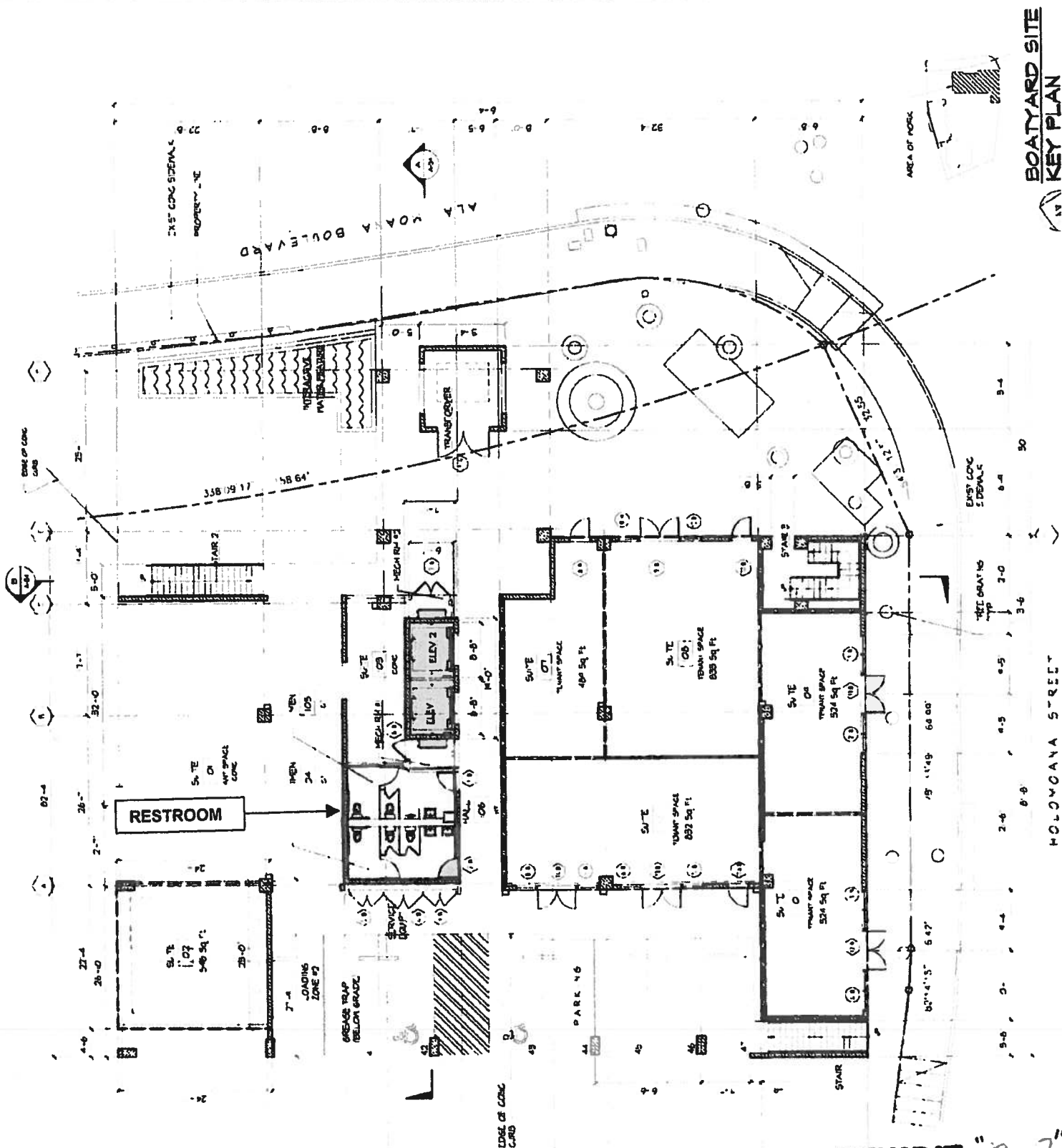


ALA WAI CANAL

HOLOMOANA STREET

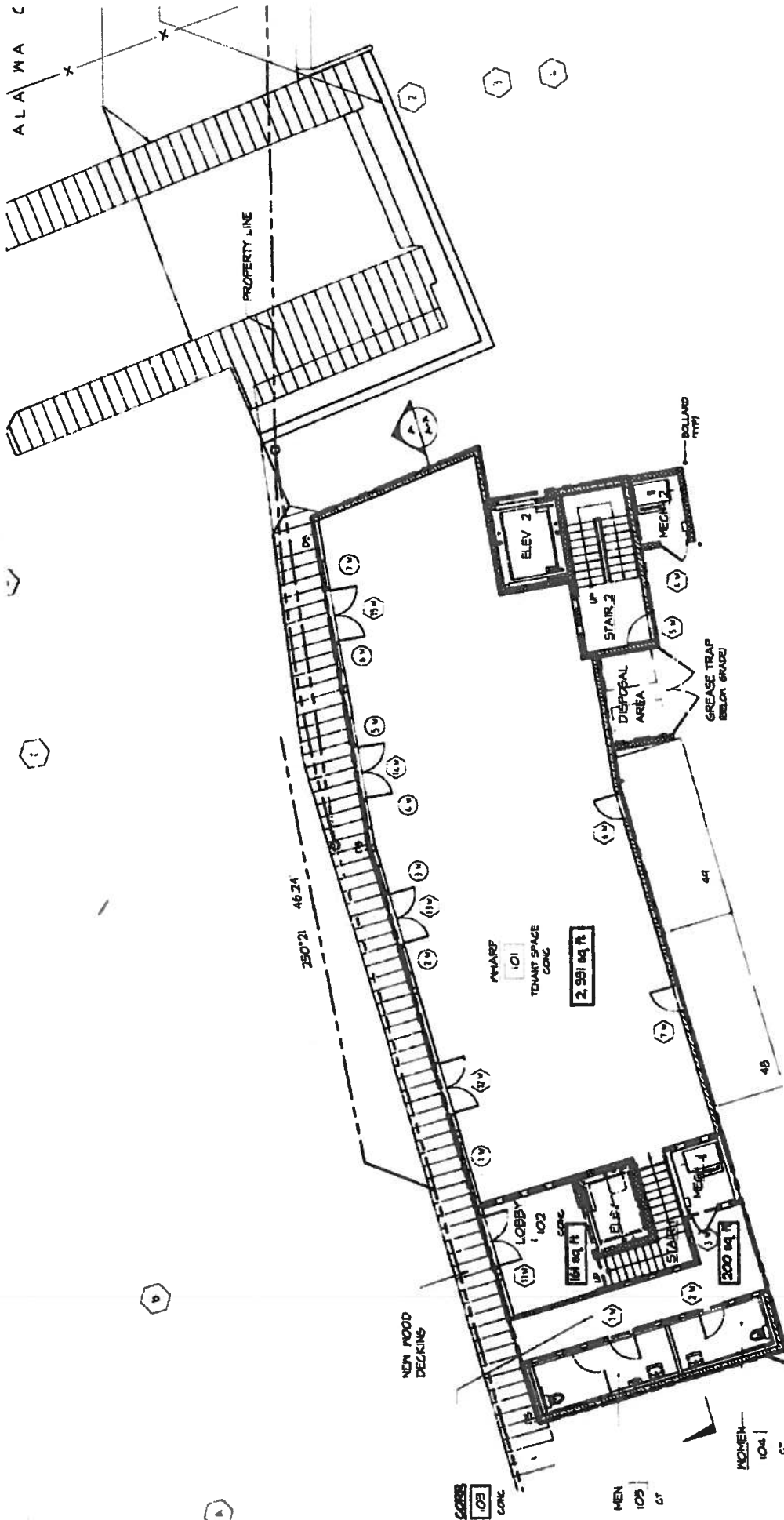


1. BOATYARD SITE - SECOND FLOOR PLAN



**EXHIBIT** "B-3"





Gross Area

3,112 Sq Ft

**EXHIBIT "B-4"**

**WHARF BUILDINGS - GROUND FLOOR PLAN**

SCALE: 1/8" = 1'-0"





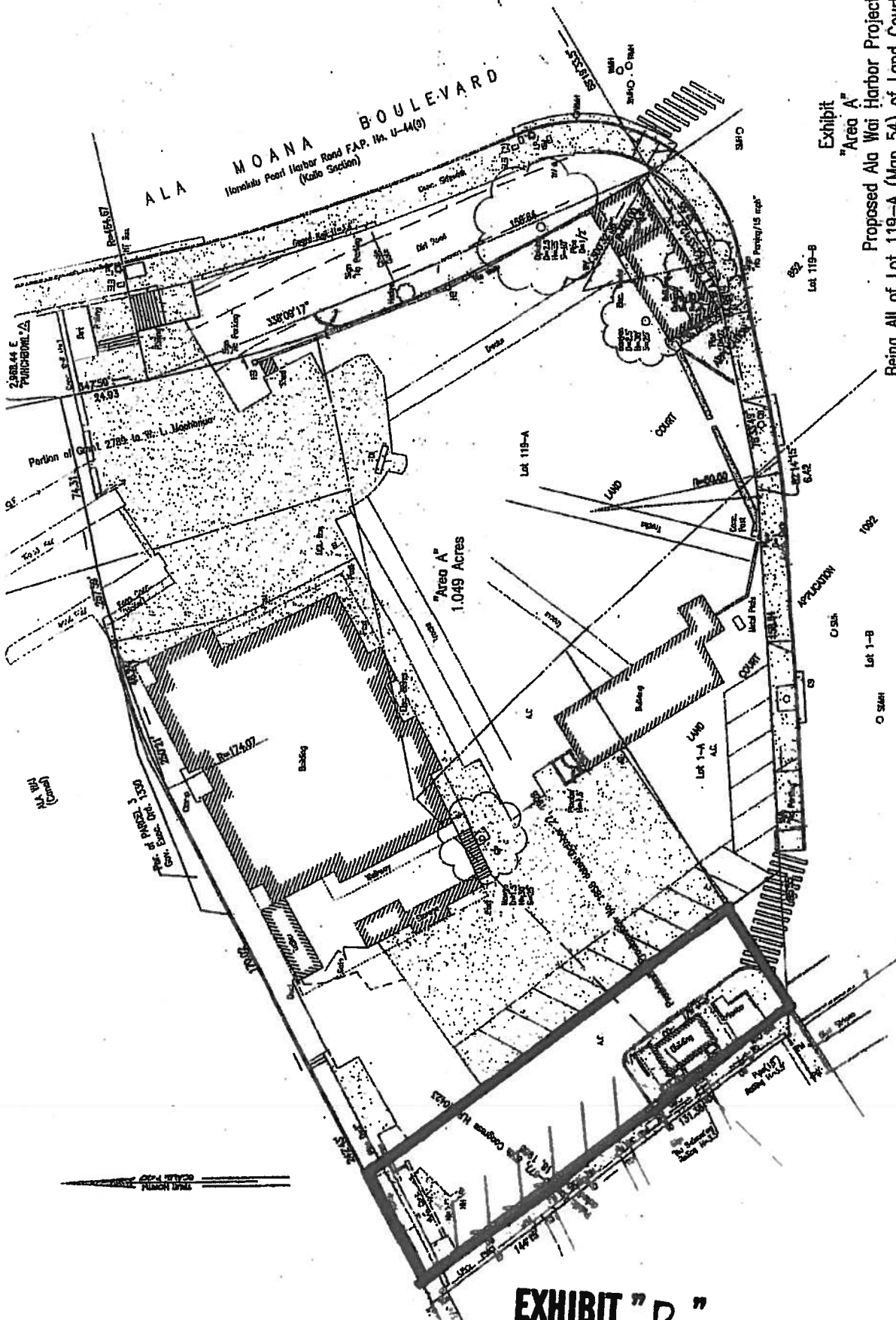


EXHIBIT "D"

Exhibit  
"Area A"

Proposed Ala Wai Harbor Project

Being All of Lot 119-A (Map 54) of Land Court Application 852,  
and Lot 1-A (Map 4) of Land Court Application 1092; and

a Portion of the following:

Presidential Proclamation No. 1856 dated October 27, 1928,  
Public Law 85-677 85th Congress H.R. 10423 dated August 18, 19

Grant 2789 to W.L. Moehonua,

Lot 119-B (Map 54) of Land Court Application 852, and

Lot 1-B (Map 4) of Land Court Application 1092

At Kalia, Waikiki, Oahu, Hawaii

GRAPHIC SCALE

1" = 100' 0" 1" 2" 3" 4" 5" 6" 7" 8" 9" 10"

This is referred to Government Survey Triangulation Station  
shown on sheet A.  
This is for exhibit purposes only and does not purport a legal  
revelation.





**EXHIBIT 'F'**